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**DISCOVERY
MINES
LIMITED**

**PROGRESS
REPORT**

FEBRUARY 22, 1966

DISCOVERY MINES LIMITED,

Suite 1011,
2200 Yonge Street,
TORONTO, CANADA.

TO THE SHAREHOLDERS:

Following are production figures at the Discovery Mine, N.W.T., for 1965 (1964 in brackets): Tons Milled 80,546 (77,830); Average grade of ore milled 0.71 (0.62) ounces per ton; Bullion production 55,864 (47,471) fine ounces of gold; Revenue \$2,195,000 — subject to audit (\$1,988,585).

New ore developed during 1965 more than replaced the ore milled. Proven ore reserves at December 31, 1965 were 190,540 (174,756) tons with an average grade of 0.82 (0.84) ounces per ton.

Operations at the LaForma Mine in the Yukon Territory will be suspended at the end of this month. An extensive development program combined with trial stoping in several ore sections throughout the mine has shown that the average grade of ore that can be mined is well below early estimates.

Had the grade in mining stood up to previous calculations, we still could not consider installation of the necessary cyanide milling plant nor provision of family housing to attract labour. We have learned that a new, lone gold mine simply cannot compete for labour in the Yukon where base metals,

asbestos and tungsten are produced. The current favourable market prices for these products, combined with a severe labour shortage, result in wages and operating costs that are prohibitive for gold mining.

At the Discovery Mine, an established community in the Northwest Territories, a full work force has been maintained as the result of an aggressive employment policy including the hiring of newly arrived immigrants and the successful operation of school stopes to train miners.

Discovery has a substantial stake in base metal exploration and oil production through a 20 per cent participating interest with Radiore Uranium Mines Limited in diamond drilling a copper-zinc-silver deposit in the Mattagami area, Quebec, and through holdings of 40 per cent of the issued capital stock of Rayrock Mines Limited. Rayrock is active in exploring and developing mineral properties across Canada, on its own and in association with others. Rayrock also holds substantial interests in companies producing gold, silver, lead and zinc and has 63 producing oil wells in Ontario.

The Discovery Annual Report for 1965 will be mailed to Shareholders the latter part of March.

J. C. BYRNE,
President and Managing Director.

Toronto, Ontario,
February 22, 1966.

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**DISCOVERY
MINES
LIMITED**

**PROGRESS
REPORT**

FOR THE SIX MONTHS ENDING

JUNE 30, 1966

DISCOVERY MINES LIMITED

Suite 1011,
2200 Yonge Street,
TORONTO, CANADA.

TO THE SHAREHOLDERS:

The Discovery Mine enjoyed the best six month period since 1961. Production, profits and tons milled were well ahead of the intervening years and overall cost per ounce of gold produced was at the exceptionally low figure of \$22.14. Revenue amounted to \$1,287,897 and operating profit was \$538,621. Net profit after provision for write-offs and taxes was \$206,199, equal to 7.5 cents per share. Cash flow for the six months was \$364,200. (The above figures are subject to audit.)

New ore developed so far this year totals 297 feet averaging 0.60 ounces per ton over an average width of 8 feet. Highlight of this development work was a tripling in width of the No. 16 vein to 14 feet wide for a length of 111 feet on the 3800 foot level.

During the six months, January to June 1966, production was 33,259 (27,111) ounces of gold from 40,693 (38,689) tons milled. The mill treated 225 (214) tons daily averaging 0.83 (0.71) ounces per ton and recovery was 98.39 (98.10) per cent. Mine operating costs were \$16.94 per ton milled and dollar value of ore milled was \$31.42 per ton. Figures in brackets are for the comparable six months in 1965.

J. C. BYRNE,
President and Managing Director.

Toronto, Ontario,
July 7, 1966.

DISCOVERY MINES LIMITED

To the Shareholders:

We present herewith unaudited Statement of Operations and Statement of Source and Application of Funds for the six months ending June 30, 1967, with comparative figures for the same period of 1966.

During the six months to June 30, 1967, production was 27,010 (33,259) ounces of gold from 44,054 (40,693) tons milled. The mill treated 242 (225) tons daily averaging 0.62 (0.83) ounces of gold per ton. Figures in brackets are for the comparable six months in 1966. Grade of ore milled during the first half of 1966 was above the average grade for the full year of 0.74 ounces per ton.

On the optioned Micro nickel prospect in the Yukon Territory, preliminary exploration work is well advanced, and surface diamond drilling is expected to commence at the end of August. The past several weeks have been devoted to geophysical surveys, surface mapping, relogging of old drill core, and bulldozer stripping. Several anomalies have been indicated in the immediate vicinity of the known nickel bearing zone. Surface and underground exploration several years ago had indicated some 282,000 tons of potential ore averaging 1.64 per cent nickel, and there is evidence that favourable conditions for ore deposition continue on strike.

Discovery Mines is carrying out the work and is assuming 50 per cent of the exploration expenditures with Rayrock Mines, an associated company, and Consolidated Canadian Faraday, each contributing 25 per cent of the costs. The property is situated some 250 miles northwest of Whitehorse and is readily accessible from the Alaska Highway, a short distance away.

J. C. BYRNE,
President and Managing Director.

Toronto, Ontario
August 8, 1967.

DISCOVERY
MINES LIMITED

Suite 1011 - 2200 Yonge Street
Toronto, Ontario

See

Interim Report

JUNE 30, 1967

DISCOVERY MINES LIMITED

STATEMENT OF OPERATIONS

For the Six Month Period Ended June 30, 1967

Revenue	1967	1966
Metal production	\$1,026,079	1,258,022
Investment Income	980	30,042
Estimated amount recovered under the Emergency Gold Mining Assistance Act ...	37,038	—
	<u>\$1,064,097</u>	<u>1,288,064</u>
Expenditures		
Cost of metal production, including mining, milling, delivery and Mint charges ..	603,317	601,761
Exploration and Development	122,288	98,760
Head Office, administrative and general expenses	28,441	39,547
Directors' fees	4,500	4,500
	<u>758,546</u>	<u>744,568</u>
Profit before depreciation ...	<u>305,551</u>	<u>543,496</u>
Deduct		
Depreciation on buildings, plant and equipment	35,760	32,383
	<u>269,791</u>	<u>511,113</u>
Operating profit		
Deduct		
Exploration, development and mining at LaForma, Yukon Territory, less revenue from production	3,134	133,405
Outside exploration	22,944	21,702
	<u>243,713</u>	<u>356,006</u>
Net profit before income taxes		
Less:		
Estimated Northwest Territories Royalty Tax	10,000	14,000
	<u>\$ 233,713</u>	<u>\$ 342,006</u>
Net profit for the period ...		
Net profit per share	8.9¢	12.5¢

(See Over)

DISCOVERY MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended June 30, 1967

Source of Funds	1967	Same Period 1966
Net profit for period	\$ 233,713	\$ 342,005
Depreciation	35,760	32,383
Reduction of prepaid expenses and sundry deposits	3,459	
Sale of shares of other mining companies		52,855
Sales of LaForma fixed assets		27,475
Miscellaneous	82	
	<u>273,014</u>	<u>454,718</u>
Application of Funds		
Purchase of shares of other mining companies	20,402	
Advances to subsidiary company	167	
Increase in mine stores	114,086	117,464
Payment of special refundable tax	1,216	1,216
Additions to fixed assets		26,541
Increase in prepaid expenses		761
	<u>135,871</u>	<u>145,982</u>
Increase in working capital ..	<u>137,143</u>	<u>308,736</u>
Working Capital		
Working capital at beginning of period	254,624	(222,781)
Increase in working capital, as above	137,143	308,736
Working capital at end of period	<u>391,767</u>	<u>85,955</u>

tons daily net profit would be 22¢ per share. At a copper price of 55¢ Canadian the profit per Discovery share would be doubled in each case. As a matter of interest the current price of copper on the London Metal Exchange is 70¢ Canadian per pound. Copper concentrates would be sold at London Metal Exchange prices.

Shareholders unfamiliar with the incentives accorded the mining industry in Ireland are reminded that mines enjoy generous tax concessions, and this is one of the factors that encouraged Discovery to take an interest in the Avoca venture.

* * *

At the Discovery gold mine, hoisting of ore was completed early in April. The ore milled since the first of the year has been very marginal, and only a modest mine operating profit has been realized.

* * *

An airborne magnetometer and E.M. survey is expected to commence in May on the Company's 200 claim base metal prospect in the Artillery Lake region of the Northwest Territories. Nickel is the prime object of exploration in this area.

J. C. BYRNE

President and Managing Director

At the Annual Meeting the following Directors were elected — Messrs. J. C. Byrne, J. K. B. Booth, E. S. Holmgren, D. O. Mungovan, G. T. Smith, J. Austin and G. H. Beeston, and the firm of Collins, Love, Eddis, Valiquette & Co. were appointed Auditors for the forthcoming year.

Toronto, Ontario

April 25, 1969

Printed in Canada

Address to Shareholders

Discovery Mines Limited

SUITE 1011, 2200 YONGE STREET
TORONTO, ONTARIO

J. C. BYRNE

PRESIDENT AND MANAGING DIRECTOR

ANNUAL MEETING

APRIL 29, 1969

Address to Shareholders:

We extend a warm welcome to those Shareholders who are present today for the Annual Meeting.

As indicated in the Annual Report, your Company has entered into agreements with a consortium of mining and oil interests whereby Discovery, through a newly incorporated Canadian company, can acquire a controlling interest in the Avoca Mines' copper property in Ireland. The consortium, consisting of the Superior Oil group, the Patino interests, and associated companies of Northgate Explorations has spent approximately \$1 million during the past two years on underground exploration and development of the Avoca property, which is located in County Wicklow, a short distance south of Dublin. Some 6 million tons of copper-pyrite ore averaging 1.0 per cent copper after dilution have been outlined in two deposits. Potential for additional ore is excellent as there are several known sulphide deposits occurring along a strike length of over two miles and below old shallow workings.

It is estimated that a further \$4.5 million will be required to bring the mine into production at an initial rate of 2,000 tons per day with a probable increase to 3,000 tons daily. Discovery is to provide up to \$2.25 million of the necessary finances and receive close to 50 per cent of the issued shares in the new company called Tigroney Mines Limited. Avoca will become a wholly owned subsidiary of Tigroney, and the present shareholders of Avoca would exchange their shares for those of the new incorporation. Balance of the capital required is to accrue from a public issue of Tigroney stock to raise \$1.5 million, and from loans.

The Avoca property was last worked from 1958 to 1962, with closure prompted by low copper prices and excess dilution problems resulting from wholesale mining of old workings. The advent of financial difficulties saw the property placed in receivership by the Irish Government, who has since extended caretaker service and kept the mine dewatered.

Existing mine facilities include a 4,000 ton per day mill, work shops, living quarters, and an underground crusher and conveyor system. The latter measures 3,500 feet in length and is capable of conveying ore to surface at a rate of 300 tons per hour. Access to the mine workings is by a 980 foot vertical shaft and an inclined tunnel, which passageway can be used by trackless mine equipment. Estimated cost to rehabilitate the underground crushing facilities, conveyor system, and the milling plant is relatively modest.

Discovery anticipates that full production may be attained about November or December of 1970. In addition to marketing a copper concentrate, the Company expects to sell a pyrite concentrate under contract to a local fertilizer plant. Feasibility studies indicate that the anticipated debt and interest can be amortized by the end of the second year of operations, and this assumes an average copper price of 45¢ Canadian per pound, and the commencement of pyrite concentrate sales in the second production year.

Discovery's share of cash flow from the mining operation will represent net profit to Discovery. After debt retirement, net profit would amount to 16¢ per Discovery share at a copper price of 45¢ Canadian per pound and milling 2,000 tons daily while at 3,000

DISCOVERY MINES LIMITED

STATEMENT OF OPERATIONS For the six months ended June 30, 1969

	1969	1968
REVENUE		
Metal production	\$ 234,371	\$ 754,428
Investment Income	53,911	46,162
Estimated amount recoverable under the Emergency Gold Mining Assistance Act	62,060	102,322
	<u>\$ 350,342</u>	<u>\$ 902,912</u>
EXPENDITURES		
Cost of metal production, includ- ing mining, milling, delivery and Mint charges	272,393	619,644
Exploration and development ...	—	66,650
Head Office and Administrative expenses	46,246	30,808
Shut down expense	43,844	—
	<u>\$ 362,483</u>	<u>\$ 717,102</u>
PROFIT OR LOSS () BEFORE DEPRE- CIATION	(12,141)	185,810
Deduct:		
Depreciation on buildings, plant and equipment	14,000	17,000
OPERATING PROFIT OR LOSS ()	<u>(26,141)</u>	<u>168,810</u>
Deduct:		
Outside exploration	5,344	69,062
NET PROFIT OR LOSS () BEFORE TAXES	<u>(31,485)</u>	<u>99,748</u>
Less:		
Estimated Northwest Territories Royalty Tax	—	500
NET PROFIT OR LOSS () FOR PERIOD	<u><u>\$ (31,485)</u></u>	<u><u>\$ 99,248</u></u>

Note: The above statement does not include the amount to be written off mining claims and mining supplies upon shut-down of the mine. The amount of the write-off has not yet been determined.

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DISCOVERY MINES LIMITED

Suite 1011 - 2200 Yonge Street
Toronto, Ontario

Interim Report

For Six Months Ended
June 30, 1969

DISCOVERY MINES LIMITED

TO THE SHAREHOLDERS:

The rehabilitation and development program recently initiated at the Avoca copper mine in south-eastern Ireland is progressing well. Immediate attention has been focussed on reactivating the underground crusher and 3,500 foot conveyor system from underground to mill bins, and on renovating surface buildings, including the 4,000 ton mill. Several of the ninety persons presently employed at the Avoca operation are staff and supervisory personnel from the Discovery gold mine which terminated production earlier this year.

An estimated \$4.5 million will be required to bring the copper-pyrite mine into production at an initial rate of 2,000 tons per day. Discovery is to provide up to \$2.25 million of the necessary finances for which it will receive a major share interest in Avoca Mines Canada Limited, a newly incorporated Canadian company; the balance is to accrue from public financing and from a bank loan. Avoca Mines Ireland will be a wholly-owned subsidiary of Avoca Mines Canada Limited. "Avoca" replaces the name "Tigroney" mentioned in our last report to Shareholders.

Avoca Mines Canada Limited has executed an underwriting agreement providing for the sale to the public of \$1,000,000 of 8½ per cent Income Debentures with 1,000,000 shares of stock to net the treasury \$1,750,000. The transaction is scheduled for closing on September 4th.

Milling of ore at the Discovery gold mine was suspended in April, and clean-up operations on the property were completed by mid-June. There was a net loss of \$31,485 for the six months after providing for shut-down expense, depreciation and outside exploration.

Shareholders are reminded that gold is still very much a part of the Discovery image as interests are held in several gold prospects each of which could become economic propositions at substantially higher prices for the precious metal. The most promising are a large tonnage, low grade deposit at Indin Lake, and a high grade, modest tonnage prospect at Gordon Lake, both of which are in the Northwest Territories.

* * *

The airborne geophysical survey of the 200-claim base metal prospect in the Artillery Lake region, N.W.T., has been completed. Preliminary results indicate that one anomalous region may warrant ground follow-up.

* * *

Shareholders will note that working capital of the Company as at June 30, 1969, was \$2,318,257. In addition, Discovery owns 1,001,700 shares of Rayrock Mines Limited, which Company has petroleum and copper production and is active in exploration across Canada.

J. C. BYRNE

President and Managing Director

Toronto, Ontario
August 12, 1969

DISCOVERY MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the six months ended June 30, 1969

	1969	Same Period 1968
SOURCE OF FUNDS		
Net profit for the period	\$ —	\$ 99,248
Depreciation	14,000	17,000
Sales of capital stock	18,900	—
Sales of investments	60,667	12,968
Sale of fixed assets	52,835	—
Reduction of prepaid expenses and deposits	10,278	—
Reduction of mine stores	54,968	—
	<u>\$ 211,648</u>	<u>\$ 129,216</u>
APPLICATION OF FUNDS		
Loss for the period	31,485	—
Purchase of 225,000 shares of Avoca Mines Canada Limited	150,000	—
Purchase of other investments	129,556	21,162
Advance to subsidiary company	30	33,540
Payment on mining claims held under option	—	5,000
Increase in Mine Stores	—	38,751
Increase in prepaid expenses and deposits	—	62,880
Additions to buildings and equipment	—	16,790
	<u>\$ 311,071</u>	<u>\$ 178,123</u>
Increase or decrease () in working capital	(99,423)	(48,907)

Working Capital

Working capital at beginning of period	2,417,680	642,189
Increase or decrease ()	(99,423)	(48,907)
Working capital at end of period	<u>\$2,318,257</u>	<u>\$ 593,282</u>

DISCOVERY MINES LIMITED

**INTERIM STATEMENT OF
SOURCE AND APPLICATION OF FUNDS
For the Six Months Ended June 30, 1970**

SOURCE OF FUNDS	1970	Same Period 1969
Depreciation	—	14,000
Sale of investments	2,442	60,667
Sale of fixed assets	18,601	52,835
Reduction in prepaid expenses and sundry deposits	17,179	10,278
Reduction of mine stores	—	54,968
Sale of capital stock	—	18,900
	<hr/> 38,222	<hr/> 211,648
APPLICATION OF FUNDS		
Loss for period	18,692	31,485
Purchase of \$450,000 of Avoca Mines Canada Limited de- bentures 7%	374,985	
Purchase of 195,030 shares (1969: 225,000 shares) of Avoca Mines Canada Limit- ed	79,369	150,000
Purchase of other investments	82,973	129,586
	<hr/> 556,019	<hr/> 311,071
Working capital decrease	(517,796)	(99,423)
Working capital, beginning of the period	1,084,399	2,417,680
Working capital, end of period .	<u>\$ 566,603</u>	<u>\$2,318,257</u>

**INTERIM STATEMENT OF OPERATIONS
For the Six Months Ended June 30, 1970**

INCOME	
Investment income	36,665
EXPENDITURES	
Head office, administration and general expenses	36,364
Outside exploration	12,000
Mine Caretaker Expense	6,993
	<hr/> 55,357
Loss for the period	<u>\$ 18,692</u>

**DISCOVERY
MINES LIMITED**

Suite 1011 - 2200 Yonge Street
Toronto, Ontario

Interim Report

For Six Months Ended
June 30, 1970

DISCOVERY MINES LIMITED

To the Shareholders:

We present herewith interim report which summarizes your Company's activities for the six month period ended June 30, 1970.

Avoca Mines Canada Limited

Under the guidance of Discovery Mines development work is progressing most satisfactorily at the Avoca copper property in Ireland. Production at the rate of 2,000 tons daily is anticipated by the end of the current year.

Rehabilitation of the mill and the underground conveyor system has necessitated more design modifications than were originally expected, and consequently a significant cost overrun is forecast.

Avoca has arranged for a bank loan of up to \$2.5 million to compensate for the capital cost overruns and to provide for additional plant facilities. Thus far, the Avoca treasury has received \$4.0 million in financing comprising both debt and equity.

Indicated ore reserves are 7 million tons averaging 1.0 per cent copper after allowance for dilution. This tonnage is in two orebodies and is entirely outside the area of old workings. Trackless mining is being employed for maximum flexibility and efficiency.

To supplement the underground feed in the early stages of the operation Avoca is investigating the feasibility of mining approximately 500,000 tons of open pit material in a vein deposit. In that the potential ore is highly weathered the nature of metallurgical test results will largely determine whether the project would be economic.

Discovery's equity interest in Avoca Mines Canada Limited is approximately 47 per cent.

Rayrock Mines Limited

Rayrock Mines, in which a 24 per cent interest is held, earned a net profit of \$545,215, equivalent to \$0.12 per share, for the six months ended April 30, 1970.

Both the Icon Sullivan Joint Venture and Rayrock's petroleum division experienced satisfactory operating performances with the former having realized strong copper prices during the period.

Exploration activity is widespread with projects being sponsored in Ontario, Manitoba, British Columbia, Yukon Territory, U.S.A. and Australia. Some \$275,000 will be expended on exploration during 1970.

Exploration

Following a program of mapping and trenching, diamond drilling will commence shortly on an optioned copper property situated near Terrace, British Columbia. This venture is being financed jointly with Ashland Canadian Oils, Canadian Industrial Gas & Oil, and Tundra Gold Mines.

Discovery is a participant along with five other companies in a syndicate that has commenced exploration in Australia. An airborne geophysical program coupled with land acquisition is planned by the syndicate in association with other parties.

On behalf of the Board of Directors

J. C. BYRNE
President and Managing Director

Toronto, Canada
August 21, 1970

DISCOVERY MINES LIMITED

STATEMENT OF SOURCE AND
APPLICATION OF FUNDS

For the Six Months Ended June 30, 1971

(With 1970 Figures for Comparison)

	1971	1970
SOURCE OF FUNDS		
Sale of investments	\$ —	\$ 2,442
Sale of fixed assets	1,935	18,601
Reduction of prepaid expenses and deposits	—	17,179
	<u>1,935</u>	<u>38,222</u>
APPLICATION OF FUNDS		
Loss for the period	16,297	18,692
Purchase of \$450,000 of Avoca Mines Canada Limited de- bentures 7%	—	374,985
Purchase of 195,030 shares of Avoca Mines Canada Limited	—	79,369
Purchase of other investments	28,055	82,973
Participation in prospecting syn- dicates	33,000	—
	<u>77,352</u>	<u>556,019</u>
Working capital decrease	75,417	517,796
Working capital, beginning of period	422,379	1,084,399
Working capital, end of period	<u>346,962</u>	<u>566,603</u>

STATEMENT OF OPERATIONS

For the Six Months Ended June 30, 1971

(With 1970 Figures for Comparison)

	1971	1970
INCOME		
Investment income	<u>30,100</u>	<u>36,665</u>
EXPENSES		
Head office administration ...	23,732	36,364
Outside exploration	7,892	12,000
Property maintenance	14,773	6,993
	<u>46,397</u>	<u>55,357</u>
Loss for the period	<u>\$ 16,297</u>	<u>\$ 18,692</u>

DISCOVERY

MINES LIMITED

Suite 1011 - 2200 Yonge Street
Toronto, Ontario*Interim Report*For Six Months Ended
June 30, 1971

DISCOVERY MINES LIMITED

Discovery Mines Limited
Suite 1011, 2200 Yonge Street
Toronto, Canada

To the Shareholders:

During the six month period January to June 1971 the principal efforts of your Company were directed towards the operation of Avoca Mines Limited in Ireland, which Company Discovery controls through its 47 per cent equity interest in Avoca Mines Canada Limited. Avoca Mines' cash flow from production of copper for the first half year period was \$664,962. The Avoca mine treated 402,596 tons of ore averaging 0.79 per cent copper. In sustaining a milling rate of over 2,200 tons daily it has been necessary to process a considerable tonnage of low grade surface cobbings and stock-piled material while the underground conveyor system, inherited from former operators, has been undergoing major rehabilitation. To supplement the underground ore, open pit mining of the Cronebane deposit will be initiated in October at a rate of 500 tons per day. As the average grade of the Cronebane reserves has been conservatively estimated at 1.6 per cent copper, profitability of the Avoca venture is expected to be significantly enhanced.

* * * * *

Your Company also has indirect interests in copper and petroleum production through a 25 per cent equity holding in Rayrock Mines Limited.

Rayrock's revenue is derived from its 23.75 per cent interest in the Icon Sullivan Joint Venture copper mine in northwestern Quebec, from oil and gas production in southwestern Ontario, and from investment income. The Company is participating in several exploration ventures in Canada and in the United States.

* * * * *

In association with other mining companies we are active in exploration for base metals in British Columbia and in New Brunswick.

* * * * *

Discovery holds a 70 per cent interest in a high grade gold prospect and a 50 per cent interest in a large tonnage, low grade gold property, both located in the Northwest Territories.

On behalf of the Board of Directors

J. C. BYRNE
President and Managing Director

Toronto, Canada
August 20, 1971

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DISCOVERY MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended June 30, 1972

(With 1971 figures for comparison)

	1972	1971
SOURCE OF FUNDS		
Sale of fixed assets	\$ 1,840	\$ 1,935
Reduction in prepaid expenses and deposits	2,020	—
	<u>\$ 3,860</u>	<u>\$ 1,935</u>
APPLICATION OF FUNDS		
Loss for the period	\$ 22,885	\$ 16,297
Advance to subsidiary	1,495	—
Purchase of Investments	10,367	28,055
Participation in prospecting syndicates	—	33,000
	<u>\$ 34,747</u>	<u>\$ 77,352</u>
Working capital decrease	\$ 30,887	\$ 75,417
Working capital, beginning period .	103,253	422,379
Working capital, end of period	<u>\$ 72,366</u>	<u>\$ 346,962</u>

STATEMENT OF OPERATIONS

For the Six Months Ended June 30, 1972

(With 1971 figures for comparison)

	1972	1971
INCOME		
Investment Income	\$ 17,938	\$ 30,100
EXPENSES		
Head Office Administration	\$ 14,790	\$ 23,732
Outside exploration	10,947	7,892
Property maintenance	15,086	14,773
	<u>\$ 40,823</u>	<u>\$ 46,397</u>
Loss for the period	<u>\$ 22,885</u>	<u>\$ 16,297</u>

DISCOVERY

MINES LIMITED

Suite 1011 - 2200 Yonge Street

Toronto, Ontario

Interim Report

For Six Months Ended

June 30, 1972

DISCOVERY MINES LIMITED

DISCOVERY MINES LIMITED

BALANCE SHEET

June 30, 1972

To the Shareholders:

The wholly owned Irish subsidiary of Avoca Mines Canada, in which Discovery owns a 53.7 per cent interest, recorded a good mine performance in the first six months of 1972. A cash flow of \$694,375 was generated from the milling of 515,351 tons of ore grading 1.02 per cent copper. Weighing negatively on profits were depressed copper prices and a sharp escalation in smelter charges. In comparison with the corresponding period of the previous year, both the average grade of ore and mill rate were up significantly while operating costs have remained steady. Contributing to the improvement was the commencement last November of open pit mining from the good grade Cronebane copper deposit. The mineralogical complexity of the surface ore had initially resulted in poor recoveries which have since improved considerably as a result of mill circuit changes and metallurgical experimentation. Current daily treatment is 3,000 tons of which some 500 tons is allocated to Cronebane. Pyrite concentrate sales, under contract, commenced early in the year.

Aside from Avoca, Discovery's other major investments are 953,000 shares of Rayrock Mines representing a 21 per cent interest, a 70 per cent share equity in Camlaren Mines, and a one half interest in Johnsby Mines, a private corporation. The latter two companies each own partially developed gold prospects in the Northwest Territories, which properties have gained in economic importance due to recent appreciation in the free market gold price, currently \$US66, up some 50 per cent since the beginning of 1972. The Johnsby property hosts a large tonnage, low grade deposit which has attracted interest from potential developers.

Discovery, in association with three other companies, is conducting exploration in the North Thompson River region of British Columbia. This project is in its second field season.

On behalf of the Board of Directors

J. C. BYRNE

President and Managing Director

Toronto, Canada
August 14, 1972

ASSETS

CURRENT ASSETS

Cash	\$ 8,091
Accounts Receivable	84,063
	<hr/>
	\$ 92,154

Investment in other companies	<hr/>
	\$1,272,210

Investment in and Advances to Subsidiary Companies

Camlaren Mines Limited	\$ 311,376
Avoca Mines Canada Limited	2,448,840
	<hr/>
	\$2,760,216

Mining Properties

Mining Claims and Options	\$ 140,914
Land, buildings, plant and equipment less depreciation	81,674
Deferred Exploration expenditures	451,364
	<hr/>
	\$ 673,952

Other Assets

Mine stores, at cost	\$ 24,900
Incorporation expense	4,837
	<hr/>
	\$ 29,737
	<hr/>
	\$4,828,269

LIABILITIES

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses ..	\$ 13,798
Unclaimed Dividends	5,990
	<hr/>
	\$ 19,788

Capital Stock

Authorized	
4,000,000 shares of \$1 par value each	
Issued	
2,748,773 shares	\$2,748,773
Premium on shares	194,224
Retained Earnings	\$1,865,484
	<hr/>
	\$4,808,481
	<hr/>
	\$4,828,269

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DISCOVERY MINES LIMITED

DISCOVERY

MINES LIMITED

To the Shareholders:

The foregoing financial statements for the six months ended June 30, 1973 consolidate the accounts of the Company and its 54 per cent owned subsidiary, Avoca Mines Canada Limited. Reflecting the adoption of the equity method of accounting the statements also include Discovery's share of the profits of its associate, Rayrock Mines Limited, in which a 22 per cent interest is held.

Consolidated net profit of Discovery for the first half of 1973 was \$238,632 after deductions of \$930,716 in depreciation and amortization charges related to the Avoca copper operation in Ireland. Working capital deficiency declined in the period to \$526,303, and a further improvement is anticipated for the balance of the year.

The Avoca mine processed 550,976 tons of ore grading 0.94 per cent to yield 8.5 million pounds copper in concentrate. Average milling rate was 3,044 tons per day. A 30 per cent increase in the net value of production and a doubling in cash flow over the corresponding 1972 period were attributable entirely to higher copper price settlements. Avoca has embarked on a major depth development program to include modernization and extension of the entire conveyor hoisting system, and the relocation and enlargement of the crushing facilities.

Rayrock is experiencing satisfactory profits from its Icon Sullivan Joint Venture copper interest and its petroleum division, both of which are currently enjoying record market prices for their products. Aside from three major exploration syndicate participations Rayrock is evaluating, by underground bulk sampling, the ore potential and economics of the Goldlund gold prospect in northwestern Ontario, and is exploring a silver-lead-zinc prospect in southern British Columbia. Rayrock may earn a controlling interest in each of these two properties in the event that the Company brings either to production.

J. C. BYRNE
President and Managing Director

Toronto, Ontario
August 16, 1973

Suite 1011 - 2200 Yonge Street
Toronto, Ontario

Interim Report

For Six Months Ended
June 30, 1973

DISCOVERY MINES LIMITED

CONSOLIDATED STATEMENT OF INCOME

For the Six Months Ended June 30, 1973

(with 1972 figures for comparison)

	1973	1972
Mining activities — Avoca, Ireland		
Mine operating profit before depreciation and amortization of deferred expenditure	\$1,484,755	\$ 796,203
DEDUCT:		
Depreciation	446,856	316,837
Amortization of deferred development and deferred finance charges	483,860	430,707
Interest expense	80,071	91,054
Property maintenance	11,966	15,086
Exploration expenditures	4,288	10,947
Head office expenses	31,345	25,564
	<u>\$1,058,386</u>	<u>\$ 890,195</u>
Profit (loss) before additional financing expense and minority interest	426,369	(93,992)
Dividends on preferred shares of Avoca Ireland — bank financing	56,349	155,002
	<u>370,020</u>	<u>(248,994)</u>
ADD: Investment income	83,612	68,938
	<u>453,632</u>	<u>(180,056)</u>
DEDUCT: Minority shareholders' interest in the profit (loss) of subsidiary companies	215,000	(24,000)
Profit (loss) for the period	\$ 238,632	(\$ 156,056)
Profit (loss) per share	8.7¢	(5.7¢)

DISCOVERY MINES LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended June 30, 1973

(with 1972 figures for comparison)

	1973	1972
SOURCE OF FUNDS		
Current operations	\$1,317,660	\$ 673,855
Sale of investments	65,629	—
Decrease in mine stores	7,977	51,530
	<u>\$1,391,266</u>	<u>\$ 725,385</u>
APPLICATION OF FUNDS		
Purchase of investments	\$ —	\$ 10,367
Addition to land, buildings and equipment (net)	226,656	215,422
Deferred development expenditures	313,777	—
Reduction of bank financing (preferred shares redeemed)	512,828	187,500
	<u>\$1,053,261</u>	<u>\$ 413,289</u>
Increase in working capital	\$ 338,005	\$ 312,096
Working capital deficiency, beginning of the period	864,308	1,173,124
Working capital deficiency, end of the period	<u>\$ 526,303</u>	<u>\$ 861,028</u>

DISCOVERY MINES LIMITED

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITIONFor the Six Months Ended June 30, 1979
(Unaudited)

	1979	1978
SOURCE OF WORKING CAPITAL		
Proceeds on sale of investments	\$ 106,533	\$ 36,248
Amount due on sale of mine equipment		5,000
	<u>106,533</u>	<u>41,248</u>
USE OF WORKING CAPITAL		
Current operations		
Earnings for the period	67,536	4,613
Add (deduct) items not involving the use of working capital		
Depreciation and amortization	13,958	93
Income on equity method	(529)	(1,576)
Gain on sale of investments	(94,534)	(10,145)
	<u>13,569</u>	<u>7,015</u>
Additions to investments	714,000	
Advances to Avoca Mines Canada Ltd.		264
	<u>727,569</u>	<u>7,279</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(621,036)	33,969
WORKING CAPITAL DEFICIENCY — BEGINNING OF PERIOD	<u>236,791</u>	<u>254,034</u>
WORKING CAPITAL DEFICIENCY — END OF PERIOD	<u>\$ 857,827</u>	<u>\$ 220,065</u>



DISCOVERY

MINES LIMITED

Suite 1011 - 2200 Yonge Street

Toronto, Ontario

*Interim Report*For Six Months Ended
June 30, 1979

To the Shareholders:

Discovery's most important asset is its holdings of 1,340,000 shares of Rayrock Resources Limited which amounts to 29.7 percent of Rayrock's issued share capital. Rayrock is a very active and well financed natural resource company. A copy of its six month report is enclosed. In addition to Rayrock's directly held interests, that company controls Pyx Explorations Ltd., a junior resource company with a significant profits interest in a Quebec base metal mine. Pyx is preparing for a financing to enable it to participate in a substantial oil and gas program in Western Canada.

Discovery's three gold properties are attracting interest from companies seeking exploration and development projects. We hope to have something conclusive to report in the near future.

Your company's first half net cash income from its oil producing interests amounted to \$40,330, and net income was \$67,536, which included a gain on sale of investments of \$94,534. It is proposed to distribute sufficient shares of Rayrock Resources Limited to substantially eliminate Discovery's bank indebtedness which amounts to \$800,000.

Subsequent to June 30th, your company purchased from Rayrock at \$1.00 per share, 100,000 six percent cumulative redeemable voting preferred shares, Series A, of Rayrock.

On behalf of the Board

J. C. BYRNE

Chairman & Chief Executive Officer

D. R. CROMBIE

President

Toronto, Canada, July 25, 1979

CONSOLIDATED STATEMENT OF OPERATIONS

For the Six Months Ended June 30, 1979

(Unaudited)

	1979	1978
INCOME		
Revenue from petroleum operations	\$ 78,797	\$
Investment income	1,900	371
Gain on sale of fixed assets	80	9,179
Gain on sale of investments	94,534	10,145
	<u>175,311</u>	<u>19,695</u>
EXPENSES		
Cost of petroleum operations ..	38,467	
Property maintenance		240
Head office expenses	26,150	10,031
Bank interest	29,729	6,294
Depreciation and amortization	13,958	93
	<u>108,304</u>	<u>16,658</u>
EARNINGS BEFORE THE UNDERNOTED ITEM	67,007	3,037
SHARE OF INCOME DETERMINED BY THE EQUITY METHOD	529	1,576
NET INCOME FOR THE PERIOD	<u>\$ 67,536</u>	<u>\$ 4,613</u>
EARNINGS PER SHARE FOR THE PERIOD	<u>\$ 0.02</u>	<u>—</u>

DISCOVERY MINES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Six Months Ended June 30, 1980
(Unaudited)

	1980	1979
SOURCE OF WORKING CAPITAL		
Current operations —		
Earnings for the period .	\$ 371,769	\$ 67,536
Items which did not require the use of working capital —		
Extraordinary items .	(366,115)	—
Gain on sale of investments	(11,489)	(94,534)
Depreciation and amortization	14,271	13,958
Share of (earnings) on equity method .	(67,468)	(529)
	(59,032)	(13,569)
Proceeds on sale of investments	1,074,491	106,533
Proceeds on sale of capital stock	1,186,732	—
	<u>2,202,191</u>	<u>92,964</u>
USE OF WORKING CAPITAL		
Purchase of balance of minority interest in Botha Lake Mining Corp.	16,857	—
Investments and advances .	144,021	714,000
Share issue expenses	8,074	—
	<u>168,952</u>	<u>714,000</u>
INCREASE (DECREASE) IN WORKING CAPITAL	2,033,239	(621,036)
WORKING CAPITAL DEFICIENCY — BEGINNING OF PERIOD	(994,361)	(236,791)
WORKING CAPITAL (DEFICIENCY) — END OF PERIOD	<u>\$ 1,038,878</u>	<u>\$ (857,827)</u>

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DISCOVERY
MINES LIMITED

Interim Report

For Six Months Ended
June 30, 1980

DISCOVERY MINES LIMITED

To the Shareholders:

Highlights:

- Gordon Lake gold property in production
- Exploration commences on LaForma property
- New oil exploration project
- Working capital increased by \$2,000,000

Discovery's Gordon Lake gold property achieved commercial production on July 11, 1980, just six months after work commenced at the mine. Initially, surface stock piles of ore are being milled in the 150 ton per day mill while the underground mine development is being completed. The shaft has been deepened from 850 feet to 1,050 feet and the mine is being developed on the 600, 800 and 1,000 foot levels. Facilities at the property include the 150 ton per day cyanide mill, a mining plant, accommodation and catering facilities for some 80 persons, fuel storage, and tailings disposal. The proven ore reserves are 56,000 tons averaging 0.62 ounces gold per ton. If sufficient ore is developed on the 1,000 foot level and indicated by drilling below the level, consideration will be given to deepening the shaft.

Discovery will receive \$600,000 as recoupment of prior expenditures on the Gordon Lake Mine, and initial receipts are expected before the year-end. Discovery's direct plus indirect interest in mine profits is 26.6% for the first 50,000 tons milled and thereafter, it will be 35.5%. The project is being financed and operated by companies in the Noranda Mines group.

Preliminary exploration work has started on Discovery's East Block of seven claims adjoining the LaForma gold property located in the Yukon Territory. Diamond drilling is planned for September. Previous work on these claims indicated disseminated mineralization with low values in gold, silver and copper. The program is being financed by Arctic Red Resources Corporation. Discovery will hold a 3% net smelter royalty following expenditures of \$500,000 by Arctic Red and cash payments of \$100,000 to Discovery. In a separate agreement, Arctic Red Resources

has committed to spend \$400,000 by October 31, 1982 on underground exploration of the main LaForma gold property. If the property is brought into production, Discovery will retain a 5% net smelter return and the agreement calls for advance royalty payments beginning in 1983.

Discovery will finance a 12.5% net interest in an oil exploration venture in Alberta. The first phase of the program includes some eight to ten separate plays, at an estimated cost of \$1,600,000. Drilling will commence in the second half of 1980, on farmed-in land and on leases owned by the Joint Venture.

Discovery holds effective control of Rayrock Resources through ownership of common and preferred shares of that company. The market value of these investments at June 30th was approximately \$3,800,000. Rayrock is a diversified natural resource development company with interests in oil and gas exploration and production and in gold mining. Rayrock has a 26.5% interest in Pinson Mining Company, which is bringing an important gold deposit into production in Nevada.

During the first six months of 1980, Discovery's working capital increased by \$2,033,239, which resulted in a new working capital at June 30th of \$1,038,878. The increase was due to new funds of \$1,170,000 received pursuant to a fixed price offering of 700,000 treasury shares, and to proceeds received from the sale of investments. Including an extraordinary gain, Discovery's earnings for the period amounted to \$371,769 which is 9 cents per share.

On behalf of the Board

J. C. BYRNE
Chairman and Chief Executive Officer

D. R. CROMBIE
President and Operations Manager

Toronto, Canada
August 12, 1980

DISCOVERY MINES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

For the Six Months Ended June 30, 1980

(Unaudited)

	1980	1979
INCOME		
Revenue from petroleum operations	\$ 85,707	\$ 78,797
Investment income	28,475	96,514
	<u>114,182</u>	<u>175,311</u>
EXPENSES		
Cost of petroleum production	40,754	38,467
Administrative and general	67,858	26,150
Exploration expense	48,548	—
Bank interest	11,121	29,729
Depreciation and depletion	14,271	13,958
	<u>182,552</u>	<u>108,304</u>
EARNINGS (LOSS) BEFORE UNDERNOTED ITEMS	(68,370)	67,007
INCOME TAXES RECOVERABLE	6,556	—
SHARE OF EARNINGS DETERMINED BY THE EQUITY METHOD	67,468	529
EARNINGS BEFORE EXTRAORDINARY ITEMS	<u>5,654</u>	<u>67,536</u>
EXTRAORDINARY ITEMS		
Gain on sale of shares of associated company	504,282	—
Loss determined by equity method	138,167	—
	<u>366,115</u>	<u>—</u>
NET EARNINGS FOR PERIOD	<u>\$ 371,769</u>	<u>\$ 67,536</u>
EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEMS	<u>\$ —</u>	<u>\$ 0.02</u>
EARNINGS PER SHARE FOR THE PERIOD	<u>\$ 0.09</u>	<u>\$ 0.02</u>